

CITY OF RAYMOND, IOWA  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
& SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS

June 30, 2008

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**City of Raymond, Iowa**

**Officials**

<u>Name</u>	<u>Title</u> <b>(Before January 2008)</b>	<u>Term Expires</u>
Karen Paulsen	Mayor	Dec 2009
Monte Johnson	Mayor Pro tem	Dec 2009
Tom McGowan	Council Member	Dec 2007
Eric Morgan	Council Member	Dec 2009
Tim Frost	Council Member	Dec 2007
Randy Backes	Council Member	Dec 2007
<b>(After January 2008)</b>		
Karen Paulsen	Mayor	Dec 2009
Monte Johnson	Mayor Pro tem	Dec 2009
Tom McGowan	Council Member	Dec 2011
Eric Morgan	Council Member	Dec 2009
Duanne Briggeman	Council Member	Dec 2011
Lori Seals	Council Member	Dec 2011
Connie Frost	City Clerk	Indefinite
Janan Weber	Treasurer	Indefinite
Carter Stevens	Attorney	Indefinite

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Raymond, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Raymond's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2007.

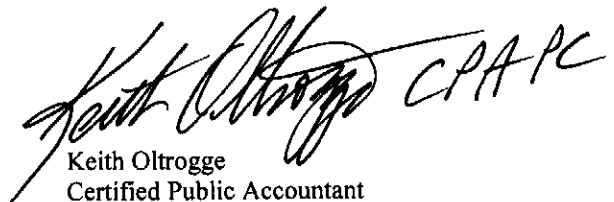
In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to verify the distribution by fund of the total fund balance at July 1, 2007, as discussed in the preceding paragraph, the aforementioned financial statements present fairly, in all material respects, the results of the cash transactions of the funds of the City of Raymond as of and for the year ended June 30, 2008 on the basis of accounting described in Note 1.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Raymond as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated November 24, 2008 on my consideration of the City of Raymond's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 7 and 15 through 16 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Raymond's basic financial statements. Other supplementary information included in Schedules 1 through 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge  
Certified Public Accountant

November 24, 2008

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Raymond provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- Revenues of the City's governmental activities increased 17.7% or \$60,870 from fiscal 2007 to fiscal 2008. Property tax/other city taxes and charges for service revenues increased \$35,094, \$8,069 and \$14,732 respectively.
- Disbursements increased 43.6%, or \$152,160, in fiscal 2008 from fiscal 2007. Public safety, public works, culture and recreation, and capital projects disbursements increased \$6,848, \$57,609, \$1,269, \$3,816 and \$83,251, respectively, while community and economic development disbursements decreased approximately \$633.
- The City's total cash basis net assets increased 2.5%, or \$9,529 from June 30, 2007 to June 30, 2008. Of this amount, the assets of the governmental activities decreased \$4,403 and the assets of the business type activities increased by approximately \$13,932.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds.

### **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has three kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

## Changes in Cash Basis Net Assets of Business Type Activities

	Year Ended June 30, 2008
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 29,258
Sewer	62,417
General receipts:	
Unrestricted interest on investments	4,320
Total receipts	<u>\$ 95,995</u>
Disbursements and transfers:	
Water	\$ 2,431
Sewer	79,632
Total disbursements	<u>\$ 82,063</u>
Increase in cash balance	\$ 13,932
Cash basis net assets beginning of year	<u>103,571</u>
Cash basis net assets end of year	<u>\$ 117,503</u>

### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Raymond completed the year, its governmental funds reported a combined fund balance of \$263,547, a decrease of \$4,403 below last year's total of \$267,950.

### BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget. The amendment was approved on May 9, 2008, and resulted in the increase in operating disbursements related to a cost overrun of \$241,681 on various projects. The City had sufficient cash balances to absorb these additional costs.

### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Connie Frost, City Clerk, City of Raymond.



## **Basic Financial Statements**

**City of Raymond, Iowa**

**Statement of Activities and Net Assets – Cash Basis**

**As of and for the year ended June 30, 2008**

	Disbursements	Charges for Service	Program Receipts	
			Operating Grants, Contributions, & Restricted Interest	Capital Grants Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 54,790	\$ 13,960	\$ -	\$ 1,616
Public works	126,072	40,358	54,201	-
Health and social services	-	-	-	-
Culture and recreation	20,141	4,035	-	-
Community and economic development	8,106	300	-	-
General government	56,417	-	-	-
Debt service	-	-	-	-
Capital projects	83,251	-	-	-
Total governmental activities	<u>\$ 348,777</u>	<u>\$ 58,653</u>	<u>\$ 54,201</u>	<u>\$ 1,616</u>
Business type activities:				
Water	\$ 2,431	\$ 29,258	\$ -	\$ -
Sewer utility	79,632	62,417	-	-
Total business type activities	<u>\$ 82,063</u>	<u>\$ 91,675</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 430,840</u>	<u>\$ 150,328</u>	<u>\$ 54,201</u>	<u>\$ 1,616</u>
<b>General Receipts:</b>				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Miscellaneous				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
<b>Cash Basis Net Assets</b>				
Restricted:				
Debt service				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and  
Changes in Cash Basis Net Assets

Governmental Activities		Business Types Activities		Total
\$	-39,214	\$	-	\$ -39,214
	-31,513		-	-31,513
	-		-	-
	-16,106		-	-16,106
	-7,806		-	-7,806
	-56,417		-	-56,417
	-		-	-
	-83,251		-	-83,251
\$	-234,307	\$	-	\$ -234,307
<hr/>				
\$	-	\$	26,827	\$ 26,827
	-		-17,215	-17,215
\$	-	\$	9,612	\$ 9,612
<hr/>				
\$	-234,307	\$	9,612	\$ -224,695
<hr/>				
\$	111,531	\$	-	\$ 111,531
	31,475		-	31,475
	-		-	-
	61,174		-	61,174
	9,952	4,320		14,272
	15,772	-		15,772
\$	229,904	\$	4,320	\$ 234,224
<hr/>				
\$	-4,403	\$	13,932	\$ 9,529
	267,950		103,571	371,521
<hr/>				
\$	263,547	\$	117,503	\$ 381,050
<hr/>				
\$	2,515	\$	-	\$ 2,515
	261,032		117,503	378,535
\$	263,547	\$	117,503	\$ 381,050

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreased from \$267,950 to \$263,547. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		Year Ended June 30, 2008
Receipts and transfers:		
Program receipts:		
Charges for service	\$	58,653
Operating grants, contributions and restricted interest		54,201
Capital grants, contributions and restricted interest		1,616
General receipts:		
Property tax		143,006
Local option sales tax		61,174
Unrestricted investment earnings		9,952
Other general receipts		15,772
Total receipts	\$	<u>344,374</u>
Disbursements:		
Public safety	\$	54,790
Public works		126,072
Health and social services		-
Culture and recreation		20,141
Community and economic development		8,106
General government		56,417
Debt service		-
Capital projects		83,251
Total disbursements	\$	<u>348,777</u>
Decrease in cash basis net assets	\$	-4,403
Cash basis net assets beginning of year		<u>267,950</u>
Cash basis net assets end of year	\$	<u>263,547</u>

**City of Raymond, Iowa**

**Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds**

**As of and for the year ended June 30, 2008**

	<u>Special Revenue</u>	
	General	Road Use Tax
Receipts:		
Property tax	\$ 110,225	\$ -
Tax increment financing collections	-	-
Use of money and property	7,317	1,320
Other city tax	1,306	-
Licenses and permits	10,085	-
Intergovernmental	11,230	48,187
Charges for service	40,333	-
Special assessments	325	-
Miscellaneous	16,047	-
Total receipts	<u>\$ 196,868</u>	<u>\$ 49,507</u>
Disbursements:		
Operating:		
Public safety	\$ 54,790	\$ -
Public works	32,812	93,260
Health and social services	-	-
Culture and recreation	20,141	-
Community and economic development	3,328	-
General government	56,417	-
Capital projects	-	-
Total disbursements	<u>\$ 167,488</u>	<u>\$ 93,260</u>
Excess (deficiency) of receipts over (under) disbursements	\$ 29,380	\$ -43,753
Cash balances beginning of year	49,949	77,008
Cash balances end of year	<u>\$ 79,329</u>	<u>\$ 33,255</u>
<b>Cash Basis Fund Balances</b>		
Reserved:		
Debt service	\$ -	\$ -
Unreserved:		
General fund	79,329	-
Special revenue fund	-	33,255
Capital projects fund	-	-
Total cash basis fund balances	<u>\$ 79,329</u>	<u>\$ 33,255</u>

See notes to financial statements.

Special Revenue		Other		Total
Local Option Sales Tax	Urban Renewal Tax Increments	Non-major Governmental Funds		
\$ -	\$ -	\$ -	\$	110,225
-	31,475	-		31,475
5,350	-	-		13,987
61,174	-	-		62,480
-	-	-		10,085
-	-	-		59,417
-	-	-		40,333
-	-	-		325
-	-	-		16,047
\$ 66,524	\$ 31,475	\$ -	\$	344,374
\$ -	\$ -	\$ -	\$	54,790
-	-	-		126,072
-	-	-		-
-	-	-		20,141
-	4,778	-		8,106
-	-	-		56,417
83,251	-	-		83,251
\$ 83,251	\$ 4,778	\$ -	\$	348,777
\$ -16,727	\$ 26,697	\$ -	\$	-4,403
132,205	-	8,788		267,950
\$ 115,478	\$ 26,697	\$ 8,788	\$	263,547
\$ -	\$ -	\$ 2,515	\$	2,515
-	-	-		79,329
115,478	26,697	-		175,430
-	-	6,273		6,273
\$ 115,478	\$ 26,697	\$ 8,788	\$	263,547

## City of Raymond, Iowa

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2008

	Enterprise Funds		
	Water	Sewer Utility	Total
Operating receipts:			
Use of money and property	\$ 1,613	\$ 2,707	\$ 4,320
Charges for service	29,258	62,417	91,675
Total operating receipts	\$ 30,871	\$ 65,124	\$ 95,995
Operating disbursements:			
Business type activities	2,431	79,632	82,063
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ 28,440	\$ -14,508	\$ 13,932
Net change in cash balances			
Cash balances beginning of year	32,293	71,278	103,571
Cash balances end of year	\$ 60,733	\$ 56,770	\$ 117,503
<b>Cash Basis Fund Balances</b>			
Unreserved	\$ 60,733	\$ 56,770	\$ 117,503

**City of Raymond, Iowa**

**Notes to Financial Statements**

**June 30, 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Raymond is a political subdivision of the State of Iowa located in Black Hawk County. It was first incorporated in 1867 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services.

**A. Reporting Entity**

For financial reporting purposes, the City of Raymond has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Raymond has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Black Hawk County Assessor's Conference Board, Black Hawk County Emergency Management Commission, and Black Hawk County Joint E911 Service Board.

**B. Basis of Presentation**

**Government-wide Financial Statements** – The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's non-fiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.



## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for moneys received and disbursements for capital projects.

The Urban Renewal Tax Increment is used to account for urban renewal projects financed by tax increment financing.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Utility Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

### **C. Measurement Focus and Basis of Accounting**

The City of Raymond maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

### **D. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amount budgeted in capital projects and the enterprise fund..

## **NOTE 2 – CASH AND POOLED INVESTMENTS**

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest Rate Risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

## **NOTE 3 – BONDS AND NOTES PAYABLE**

The City did not have any bonds or note payable at June 30, 2008. The City has rebate agreements with developers. The City agrees to return a portion of the Urban Renewal Tax Increment Finance (TIF) to the developer for the improvement on an annual basis. The City has three TIF indebtedness, Royal Ridge Subdivision, Rolling Hills Phase I and Rolling Hills Phase II. At June 30, 2008 the City had paid out \$4,778 for the Royal Ridge project. Rolling Hills Phase I had no payments yet but \$15,964 was due on completion of items by the developer. Rolling Hills Phase II had no liability at June 30, 2008.

## **NOTE 4 – PENSION AND RETIREMENT BENEFITS**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing, multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.9% of their annual covered salary and the City is required to contribute 6.05% of annual covered salary. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2008 was \$1,686, equal to the required contribution for the year.

## **NOTE 5 – RISK MANAGEMENT**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 563 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

## **NOTE 5 – RISK MANAGEMENT (continued)**

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if sufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2008 were \$6,750.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2008, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with Iowa Municipalities Worker's Compensation Association (IMWCA). The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## **NOTE 6 – SUBSEQUENT EVENTS**

The City signed a construction contract with Pirc-Tobin Construction for the 2008 Gene's first addition street improvement project for \$990,351. Construction began July 21, 2008.

The City approved a GO Street Improvement Loan note for \$1,300,000 in August 2008.

The City is to receive FEMA and Vision Iowa Grants for the purchase of a rescue van for the First Responders. The City is committed to a \$5,000 match under the grants.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**City of Raymond, Iowa**

**Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances –  
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds**

**Required Supplementary Information**

**Year ended June 30, 2008**

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 110,225	\$ -
Tax increment financing collections	31,475	-
Other city tax	62,480	-
Licenses and permits	10,085	-
Use of money and property	13,987	4,320
Intergovernmental	59,417	-
Charges for service	40,333	91,675
Special assessments	325	-
Miscellaneous	16,047	-
Total receipts	<u>\$ 344,374</u>	<u>\$ 95,995</u>
Disbursements:		
Public safety	\$ 54,790	\$ -
Public works	126,072	-
Health and social services	-	-
Culture and recreation	20,141	-
Community and economic development	8,106	-
General government	56,417	-
Debt service	-	-
Capital projects	83,251	-
Business type activities	-	82,063
Total disbursements	<u>\$ 348,777</u>	<u>\$ 82,063</u>
Excess (deficiency) of receipts over (under) disbursements	\$ -4,403	\$ 13,932
Balances beginning of year	<u>267,950</u>	<u>103,571</u>
Balances end of year	<u>\$ 263,547</u>	<u>\$ 117,503</u>

See accompanying independent auditor's report.

Net		Budgeted Original	Amounts Final	Final to Net Variance	
\$	110,225	\$ 110,592	\$ 110,592	\$	-367
	31,475	-	-		31,475
	62,480	61,000	61,000		1,480
	10,085	8,390	8,390		1,695
	18,307	7,545	7,545		10,762
	59,417	47,000	47,000		12,417
	132,008	125,095	125,095		6,913
	325	-	-		325
	16,047	9,150	9,150		6,897
\$	440,369	\$ 368,772	\$ 368,772	\$	71,597
\$	54,790	\$ 59,300	\$ 125,000	\$	70,210
	126,072	86,715	130,000		3,928
	-	-	-		-
	20,141	20,200	20,200		59
	8,106	12,200	12,200		4,094
	56,417	50,861	75,000		18,583
	-	-	90,000		90,000
	83,251	-	-		-83,251
	82,063	51,443	70,000		-12,063
\$	430,840	\$ 280,719	\$ 522,400	\$	91,560
\$	9,529	\$ 88,053	\$ -153,628	\$	163,157
	371,521	371,521	371,521		-
\$	381,050	\$ 459,574	\$ 217,893	\$	163,157

**City of Raymond, Iowa**

**Notes to Required Supplementary Information – Budgetary Reporting**

**June 30, 2008**

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$241,681. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amount budgeted in the Capital Projects and the enterprise funds.

## **Other Supplementary Information**



## City of Raymond, Iowa

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Non-major Governmental Funds

Year ended June 30, 2008

	Debt Service	Capital Projects	Total
Receipts:			
Total receipts	\$ -	\$ -	\$ -
Disbursements:			
Total disbursements	-	-	-
Excess (deficiency) of receipts over (under) disbursements	\$ -	\$ -	\$ -
Cash balances beginning of year	<del>8</del> 2,515	<del>8</del> 6,273	<del>8</del> 8,788
Cash balances end of year	\$ 2,515	\$ 6,723	\$ 8,788
<b>Cash Basis Fund Balances</b>			
Restricted:			
Debt service	\$ 2,515	\$ -	\$ 2,515
Unrestricted:			
Capital projects funds	-	6,273	\$ 6,273
Total cash basis fund balances	\$ 2,515	\$ 6,273	\$ 8,788

## City of Raymond, Iowa

Schedule of Receipts By Source and Disbursements By Function –  
All Governmental Funds

For the Last Two Years

	2008	2007 (Unaudited)
Receipts:		
Property tax	\$ 110,225	\$ 106,606
Tax increment financing collection	31,475	-
Other city tax	62,480	54,411
Licenses and permits	10,085	12,060
Use of money and property	13,987	8,539
Intergovernmental	59,417	52,274
Charges for service	40,333	25,601
Special assessments	325	-
Miscellaneous	16,047	24,013
Total	<u>\$ 344,374</u>	<u>\$ 283,504</u>
Disbursements:		
Operating:		
Public safety	\$ 54,790	\$ 47,942
Public works	126,072	68,463
Health and social services	-	-
Culture and recreation	20,141	18,872
Community and economic development	8,106	8,739
General government	56,417	52,601
Debt service	-	-
Capital projects	83,251	-
Total	<u>\$ 348,777</u>	<u>\$ 196,617</u>

**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards**

Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Raymond, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents and have issued my report thereon dated November 24, 2008. My report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expresses an unqualified opinion. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Raymond's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the City of Raymond's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Raymond's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies including deficiencies I consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Raymond's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the City of Raymond's financial statements that is more inconsequential will not be prevented or detected by the City of Raymond's internal control. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Raymond's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe item II-A-08 thru II-D-08 are material weaknesses.

### Compliance and Other Matters

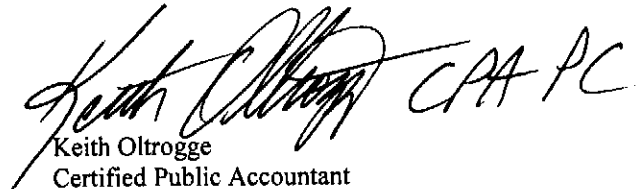
As part of obtaining reasonable assurance about whether the City of Raymond's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Raymond's responses to findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. While I have expressed my conclusions on the City's responses, I did not audit the City of Raymond's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Raymond and other parties to whom the City of Raymond may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Raymond during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

 CPA PC  
Keith Oltrogge  
Certified Public Accountant

November 24, 2008

**City of Raymond, Iowa**

**Schedule of Findings**

**Year ended June 30, 2008**

**Part I – Summary of the Independent Auditor's Results:**

- a) An unqualified opinion was issued on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting.
- b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- c) The audit did not disclose any noncompliance which is material to the financial statements.

**Part II – Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

- II-A-08 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that one person has control over most of the accounting and banking functions.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- II-B-08 Treasurer's Report – The petty cash fund of \$150 was not included in the treasurer's report.

Recommendation – The treasurer's report should include all of the City's cash.

Response – All of the City's cash will be reported in the future.

Conclusion – Response accepted.

- II-C-08 Financial Reporting – The City is not reporting funds properly in its annual report to the state. Special revenue should have three subdivisions, Road Use Tax, Local Option Sale Tax and Urban Renewal. The Debt Service fund is only for the payment of debt. Local Option Sales Tax revenue is to be used for Capital Improvements.

Recommendation – The City should provide training so the clerk and treasurer have the knowledge to properly provide accurate financial reports.

Response – We will do this.

Conclusion – Response accepted.

**City of Raymond, Iowa**

**Schedule of Findings**

**Year ended June 30, 2008**

**Part II: Other Findings Related to Financial Statements (continued):**

II-D-08 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the City's financial reporting process.

The City does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures.

The City has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge.

The internal financial statements prepared by the City are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is a common control deficiency of most small cities and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the City would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

**Part III: Findings and Questioned Costs for Federal Awards:**

Not applicable.

**Part IV: Other Findings Related to Statutory Reporting:**

IV-A-08 Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amount budgeted in Capital Projects and business type activities. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will do this.

Conclusion – Response accepted.

IV-B-08 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-08 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**City of Raymond, Iowa**

**Schedule of Findings**

**Year ended June 30, 2008**

**Part IV: Other Findings Related to Statutory Reporting (continued):**

IV-D-08 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transcription Description	Amount
Tim Frost, Council Member – Tim Frost Painting	Painting	\$300

In accordance with Chapter 362.5(10) of the Code of Iowa, the transaction with the Council member does not appear to represent a conflict of interest.

IV-E-08 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-08 Council Minutes – No transactions were found that I believe should have been approved in the Council minutes but were not.

IV-G-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

IV-H-08 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The City should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The City will obtain and retain images of both the front and back of cancelled checks as required.

Conclusion – Response accepted.